

Council Papers

a Cooperative Community Council publication

Cycle 6 No 3, November, 1995

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Minutes of the
32nd meeting
of the CCC

Features

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Part II. Community capital
and credit unions

Art

Graphics
Every Dog Has Its Bone
by Pauline Garner

Cooperatives have a 'significant' role to play in Australia

The 1995 cooperative key issues
conference: Managing change
into the 21st century

report by Anthony Esposito

"Cooperatives have played and are again poised to play a significant role in the economic and social development of Australia". This is the message from Gary Cronan, Manager of Cooperative Development in the NSW Registry of Cooperatives and an organiser of the 1995 Cooperative Key Issues Conference in Sydney in late October.

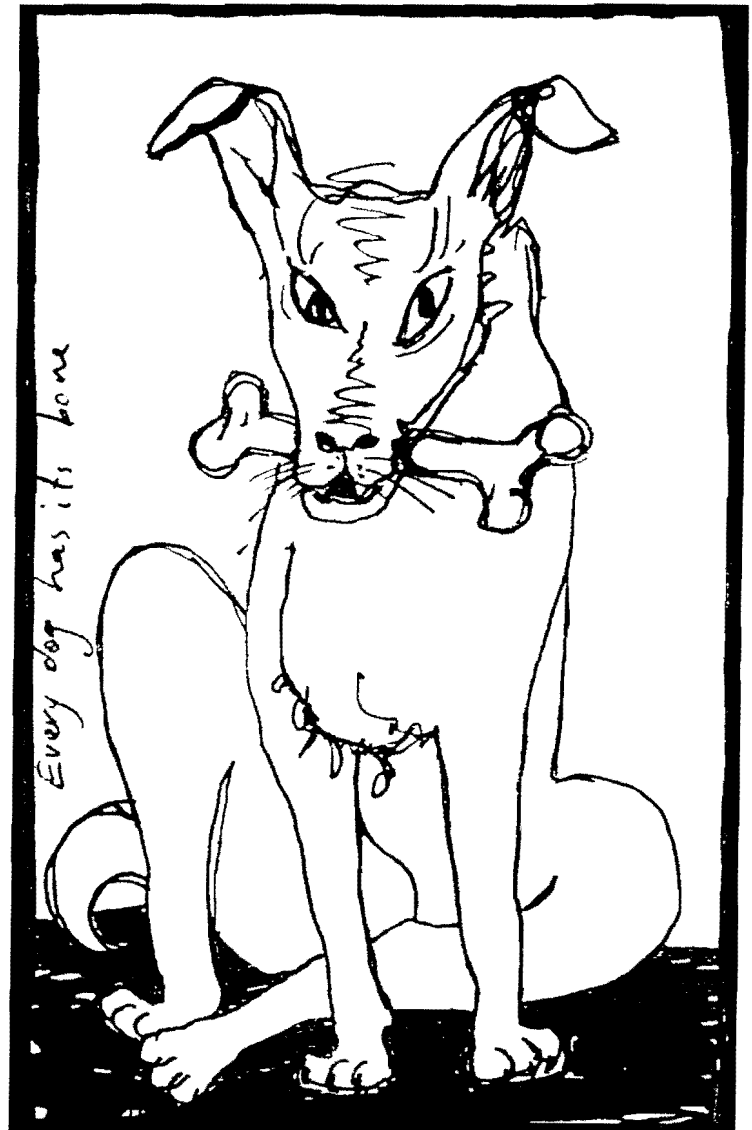
The conference was organised as a major focus for the cooperative movement in Australia and attracted attendance from all over the country, as well as from New Zealand, Thailand, Malaysia, India and Sri Lanka. Over 50 leading international and Australian speakers from cooperatives, industry and government made presentations.

Keynote speaker, Professor Hans Munkner, in his address on the role of cooperatives in the 21st century, said: "At the turn of the millennium the world is facing problems of hitherto unknown, global dimension. It is no longer possible for any group of people or for any nation to solve its own problems in isolation. All are effected and all have to react to problems like changes of climate, pollution of water, soil and air, globally spreading diseases, poverty and political unrest. The most important changes that have occurred and are still occurring world-wide are of a political, demographic, social, economic, ecological and technological nature".

"To ask what cooperatives can do for their members is asking the wrong question", Professor Munkner said. "The right question is: How can individuals solve their pressing problems by way of organised self-help?"

Professor Munkner is Director of The Institute for Cooperation in Developing Countries at the University of Marburg, Germany and was visiting the conference as a special guest. He identified four "dangerous" trends which he said, "threaten to level and ultimately destroy cooperative identity and which lead to an approximation of cooperatives to the company model".

The first of these is commercialisation of cooperative enterprises, where board and management pursue economic success for the enterprise in such a way that members' influence and control are



reduced or excluded. The second is growth by mergers and concentration, as opposed to small local structures close to members and organised in an integrated system. "This brings about large heterogeneous membership groups unable to agree on common objectives and to control the management, which in turn forces the board to decide on behalf of the members and to act as their largely uncontrolled trustees", he said.

The third danger is abandoning the principle of identity, he said. "The general rule that in cooperatives the co-owners and users of the cooperative enterprise are the same persons is gradually and increasingly abandoned". This is happening in three ways. By inviting persons "not interested in using the services of the cooperative" to join the cooperative as capital investors, by recruiting board members from outside the membership for their professional



The 32nd CCC

meeting minutes

October 7th, 1995

at the CCC Secretariat, St
Johns Ave, Ashgrove,
Brisbane

Attendance: Allan Halladay, Christine Zangari, Anthony Esposito, Merv Partridge, Rosanne Brown
Apologies: Ann Jupp, Jill Jordan, Peter Pamment, Kerry Petherbridge, Stephen Hollingsworth, Jeff Walz, Paul Monsour
Facilitator: Anthony Esposito
Minute-taker: Allan Halladay

Agenda

1. Review of Co-op Education Events
2. Strategic issues in the regional cooperative community
3. CCC and Community Works cooperative agreement
4. Review of secretariat
5. Co-op community networking
6. Shares and other fundraising under the Cooperative Act
7. UQ Credit Union and Food Co-op link
8. ICA Centennial Conference
9. Letters
10. 1995 Cooperative Key Issues Conference
11. Cooperative Enterprise Project
12. Bio-Farmers Co-op AGM proposals

Acceptance of the minutes of the CCC's 31st meeting

Allan Halladay moved that the minutes of the CCC's 31st meeting be accepted as a true record. This was seconded by Christine Zangari and carried.

Council Papers

The Council Papers are edited and published bi-monthly by the Secretariat of the Cooperative Community Council. The Council Papers are open to submission of art work and articles from members and associates. The Council reserves the right to select content. Contact the Secretary on 07 3266 7089 or by mail at CCC Secretariat, 39 St Johns Ave, Ashgrove, Brisbane, 4060.

Inadequate law makes Bio-Farmers Co-op look to company structure

from Granite Belt correspondent, Stephen Hollingsworth

The CCC will be interested to know of the AGM of Bio-Farmers Australia at Lismore Workers Club on 22-9-95. One of the proposals up is that BFA change from co-op status to that of company.

Reasons. There is no national co-op legislation and BFA incorporated under NSW legislation can't have agencies in other States. The Wheat Board had been intending to mount a campaign for national co-op legislation but has now desisted as being too costly. BFA were waiting on the Wheat Board case as were other co-ops. National legislation may now be years away. Thus the change to company status.

I am informed also that company structure offered more flexibility economically and legally and that the reasons would be laid out in the next "Natural Farmer" newsletter of the BFA. Other motions up at the BFA annual general meeting - i. allowance of postal voting and ii. that non-producer's organisations and individuals can become members of BFA. Yrs. S. Hollingsworth

Meeting Comment

In receiving Stephen's information the council could only wonder whether BFA are aware of the work of the Standing Committee of Attorney-Generals Working Party on Consistent Cooperatives Legislation. In particular the work being done on an Interstate Trading Division to facilitate agricultural cooperative's interstate and export trading operations.

The council feels the prospect of conversion by BFA to a company is indicative of the inadequacy of current cooperatives legislation throughout Australia. It is unlikely that for political reasons there will be a piece of National cooperatives legislation, but the desired results may well be achieved through State legislative consistency and interstate operations provisions.

Discussion opened on secretariat structure review

A brief paper by A. Esposito, Secretary

The motive for this review is the question of whether there should be a formal role for two secretaries within the Secretariat. I have suggested that the particular functions and attendant work load do not require this and that it stands mainly as a philosophic commitment. I can propose a solution to this as both matters - function and philosophy - are important.

The emphasis of this proposal is on developing a capable Secretariat and an effective coordination mechanism for the council in the period between meetings. I suggest that the Secretariat continue with its present scope but that it be the responsibility of a 'general secretary', a single position. A rule change would need to be made to reflect this.

Additionally, the change could set up the provision for any number of specialised 'secretaries' or facilitators in areas deemed to require a person to serve as a point of contact and coordination.

These people could work with the general secretary so that Secretariat support can be given where necessary, and so a general point of coordination on all council activities can be maintained.

As a point to note in support of this approach, we already have Kerry performing a 'secretarial' role in the council's correspondence with the International Cooperative Alliance.

Were the council to expand its operations then working groups and committees could have a secretary to provide the link to the Secretariat.

Notice

33rd CCC meeting December 2nd, 1995

1:00pm at the Red Hill Paddington Community Centre
180 Jubilee Tce, Bardon, Brisbane

Lunch at 12 pm

(please bring something to contribute)

Task force to develop employment cooperatives

The Cooperative Enterprise Project

Mr Anthony Jensen, Convenor of the Cooperative Enterprise Task Force has contacted both Jill Jordan and Anthony Esposito from the council about the Cooperative Enterprise Project and in particular the development of Cooperative Enterprise Kits.

Mr Jensen reports that the Sydney-based task force was established to increase the rate of formation of viable cooperative enterprises; businesses owned and controlled by their employee members.

The task force has sixteen members from a cross section of interests including the NSW Registry of Cooperatives and the NSW Federation, The Australian Cooperative League, The Asia Pacific Cooperative Training Centre, the AMU / FIME Union, Small Business Development and Business in the Community, as well as a number of specialised consultants and University researchers.

Mr Jensen has written to Jill advising that at the recent New Enterprise Incentive Scheme (NEIS) Managing Agents Conference on the Gold Coast, Simon Crean "in a new package of measures to tackle unemployment announced a \$40,000 grant to fund Cooperative Enterprise Information Kits".

The Director of the NEIS Programme, Hal Judge, has appointed the Cooperative Enterprise Project to carry out the work.

Mr Jensen ran a workshop at the conference for 50 NEIS Agents. Three key issues arose from this and went forward for resolution by DEET (Commonwealth Department of Employment, Education and Training), the newly formed NEIS National Association Inc. and the Cooperative Enterprise Project.

Resolution involves asking the Cooperative Registrars to convene to standardise and streamline cooperative registration; investigating and developing proposals for a Loan Fund for small to medium sized cooperatives; and proposing to Federal, State and Local Governments that a portion of work tendered be allocated to cooperatives graduating from the NEIS programme to assist in stabilising these embryonic firms.

Other key elements to emerge continuously during the conference were benchmarking and accreditation. Mr Jensen said: "I believe that it is important for us to address these issues as they relate to accredited people delivering the cooperative model and benchmark of cooperative performance".

CCC examines its role in strategic development

Strategic issues in the regional cooperative community

Anthony Esposito noted that several concerns have already been identified as being of vital importance to the growth of a regional cooperative movement - i. federal principles. ii. legislative change, and iii. community capital formation. His feeling is that the council should continue its work on these concerns, going further into detail. "We should look at what actually needs to be done and is being done, and how, in each of these areas", he said.

He suggested that for a strategic approach to succeed we need to pay close attention to political dynamics and asked if we could look at the views people have of this. "Some things that are of particular interest to me are the goals we are seeking and the vision we are working to. This was the purpose of the future memory paper - to effect a response to a possible future". He put up a series of questions for people to think about.

What do we each imagine will come to pass - what are we each working for?

What is the significance of our cooperative involvement - do people have movement goals or simply individual needs they wish to fulfil through cooperation?

Do we have agreement on values that we each regard as high priority?

Christine said the question of movement goals and individual needs is an interesting one. Her reading of Dr. Gary Lewis's book on Rochdale Cooperation in New South Wales over the last century reveals that this has been a longstanding issue. For example the early consumer cooperative movement was, she says, "divided on the role of the 'divi', the rebate, as one of savings for members or as start-up capital for co-ops". She thinks both approaches offer legitimate choices and that cooperative education can help people to resolve these issues.

Anthony said that the relationships formed by the council acting as a focal point in the regional cooperative movement raise organisational debates about what capacity the council has to act, about mandates and the question of leadership in the movement. Allan said it is about looking at what the council can legitimately act upon, "where we put our energy and who we build bridges with".



The CCC Education Events Review - Special Report

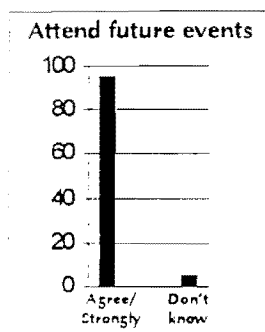
Poll strongly supports annual co-operative education events

The survey findings

prepared by Christine Zangari

The data

There were 50 surveys distributed, the number of people on the current mailing list. 36%, that is 18, were returned. Responses cover attendance in all years from 1986 to 1995, weighted a little to the last few years (13) and a little lighter on the earlier events (3).



On the question of attending future events, 50% of people said they are interested, 45% said they are very interested, the remainder (1) didn't know or (1) was possibly interested.

50% of people agreed that the cooperative education events are satisfactory in providing for the broader concepts of education, 33% strongly agreed, 11% disagreed. The rest either didn't know or thought it could be better.

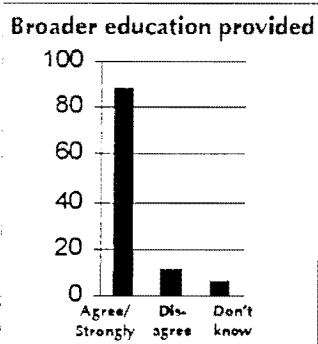
72% of people agreed that the skills training was relevant and another 22% strongly agreed. The rest didn't know. There was no disagreement.

50% of respondents agree and 28% strongly agree that they attend the events for the social gathering. 17% disagreed with this.

On the question of the order of importance of the education, training and social components 28% had no priority. Of the rest, those who expressed a priority, a clear majority had education 1st, training 2nd and social gathering 3rd.

56% disagreed that the events would be more constructively advanced through separating the components while 17% agreed, 6% strongly agreed, 22% didn't know and one person thought it was "an interesting concept".

67% think that a weekend event is just right, with a couple of these clarifying it as a two-day weekend (not a long



weekend). 17% thought it was too short. There is an advocate for the one day event and one who thinks the length is okay, "we just try to crowd too much in!"

On likely attendance, 56% of people think they'll attend if events continue as a weekend event annually. 28% want weekend events more often. 39% would also be likely to attend a series of shorter events more often. There was even a suggestion of a biennial or triennial event!

The weighting of preferred timing of the events showed March or May as the favourites (at 67% each), April next (at 50%) and September (with 45%).

On costs, 61% prefer costs to continue at the current level. 11% said costs could be increased to pay presenters and 28% said costs could be increased to secure better venues and pay presenters. These people are prepared to pay between \$25 and \$50 per day. There is a suggestion that some costs could be met from auspiced funds.

Important factors

This is a list of factors noted as 'important' to attendees:

- Assistance with participation
- Case studies
- The need for the event to be useful and relevant to a wide range of people
- To have child-minding organised at the beginning of the weekend
- Achieving the highest level of energy available
- Sustainable development
- Providing appropriate streams of education for new comers and 'oldies'
- Learning about practical experiences, keeping the spirit alive, networking
- You learn much more if your having fun
- Problems arise from a lack of communication
- A venue which can serve as a break from the everyday life - beach or bush et cetera
- Making sure people who might not have come in the past know about it
- That the spirit could be carried through the rest of the year in helping co-ops to assist each other with internal problem solving
- That there is no most important factor
- That the education and training aspects be more emphasised and that the social organisation be more relaxed
- The tailoring of education delivery to specified levels and interests - a more diverse structure
- A good kitchen, somewhere to have an evening fire and facilities for young children
- Clear aims
- That the events continue to provide a forum for people to get together to advance themselves and the cooperative movement in this region

Future topics

This is a list of topics from respondents as a reference for future events. They are grouped, loosely, under 'movement', 'education', 'skills' and 'practical issues'. Some will fit in more than one category:

Movement

- Promoting cooperation as a way to live
- Keeping cooperatives clean of opportunism
- How to encourage the formation of more co-ops
- Are co-ops a realistic option in our greedy, individualistic society or are we deluding ourselves?
- Brisbane cooperatives - the challenges!
- Management structure in cooperatives
- Relations with government and larger cooperatives
- Incorporating schools in education on cooperatives
- An exploration into cooperation in action outside cooperatives
- History of cooperatives - their relationship to political forces in the past and where that places them currently
- Building courage, confidence and strength in the cooperative movement
- Community co-ops vis-a-vis the main stream of Australian political life
- Women's co-ops
- Social welfare co-ops - how they might operate within current legislation and receive government funding
- The international cooperative alliance platform for action from the Beijing women's conference

Education

- Case studies of cooperatives
- Guests and speakers from long standing cooperatives
- Indigenous forms of cooperation
- Multi-cultural cooperation
- Personal relations and cooperation
- Some basic principles and philosophies for people new to the whole idea

Skills

- Balancing cooperative and successful business ethics
- Building livelihoods from economic cooperation
- Communication
- Coping with stress
- Counselling
- Creative problem solving
- Games
- Games and relaxation - learning how to enjoy our chosen work
- How to educate members on responsibilities
- How to handle success
- Learning how to share the load (event organisation)
- Marketing
- Mediation
- Networking
- People management
- Voice yoga

Practical issues

- Business viability benchmarks for co-ops and community businesses
- Cooperative v company structure - relative merits
- Cooperatives as an alternative to funding
- Elements of surprise
- Finance or capital for co-ops
- The money economy v LET systems / barter et cetera
- The profit motive - wealth creation
- What's happening in the co-ops

The council's response

Christine's report was received and appreciated by the meeting. The discussion focused on getting a result from this meeting so that planning for the next event could happen without delay and so that a fuller appraisal of the survey results, particularly the qualitative aspects, could proceed. Christine's offer to prepare further assessments of the results was accepted.

Anthony said: "It is clear that there is a strong desire to retain the events in much the same format as has evolved, with room for minor changes and refinements of course".

The method of organisation was discussed. The low response in favour of additional funds for paying presenters indicates that the events will have to continue to be self-help, self-education formats. To help keep the organisation as simple as possible the programme could be set largely from within CCC meetings, particularly given the extensive range of topics already suggested from the survey.

"Maintenance of the 'weekends' does not imply that there can't or shouldn't be other events. We should welcome initiatives that increase the occasions for cooperative education", Anthony said. He thinks the CCC should consider if it's suited to providing a broader programme of educational events. If so it could look to fund raising options for the purpose. He suggests that the work of the Cooperative Education Strategy Group - a.k.a. Community Works - has already marked out a lot of the terrain of cooperative education. Considering this, the CCC could look at joint initiatives with Community Works. Merv indicated his support for this possibility.

Christine noted the child care issues that were apparent in the surveys and felt from past experience that this needed to be attended to in a much more structured and organised way. This point was affirmed and supported by the meeting.

The meeting resolution

1. To continue two day education workshops annually, with possible additional free time for social events.
2. To ask the event organising committee to give special attention to child care.
3. To solicit ideas and energy for additional events or an event during the year, including Community Works.
4. To report the results of the survey to members in the Council Papers.
5. To form the '96 Co-op Education Weekend Organising Committee at the next meeting.

The resolution was moved by Christine Zangari, seconded by Rosanne Brown and carried unanimously.



Community Works offers mutual promotion

CCC and Community Works cooperative agreement



Representatives of Community Works have provided an update to the council, advising of their immediate intentions. The cooperative education strategy group met recently to address the pending incorporation of their Community Works project. They have drafted a constitution which is going through a final evaluation of its objects and processes. Once complete, a formation meeting will be held to pass a special resolution to incorporate the association. It is expected to be in November or December. The association will then set out to develop a set of new initiatives. They will explore the cooperative agreement with the CCC as one opportunity to effect cooperative development aims.

Community Works members tabled a paper containing proposed points for the cooperative agreement. It was suggested that the terms of the agreement between the CCC and Community Works can and should be kept quite simple. The paper said: "Community Works acknowledges the shared history and membership of our two associations. We recognise our mutual goal of cooperative advancement and will actively seek to facilitate operations on our common aims. We will work to develop a relationship based on cooperation and to avoid competition with the Cooperative Community Council. We may act as an auspice for Council projects where aims are in agreement and we are willing to do so where this condition is fulfilled. We advise that we may seek grants as one means to fund the operations of Community Works".

The issues were left open to further discussion.

Cooperatives 'significant' in Australia

continued from page 1

qualifications and by expanding the business with non-members.

The fourth danger Professor Munkner terms "degradation of member participation". He said that "this can be observed in all its forms; in decision-making, capital formation, patronage as well as informal and social activities".

Where this has occurred it "has led to a low level of cooperative consciousness on the part of the members who have no feeling of belonging, no sense of ownership and do not feel responsible for their cooperative. Where cooperatives neglect their members, members will also neglect their cooperative". With regard to participation in decision-making, he said, this is reflected "in the absence of an accommodative environment for active member involvement, with few roles to play in a representative democratic set-up".

Professor Munkner suggested that these problems are also challenges and point to measures that can be taken to stop the decline of cooperative consciousness.

This can be done, he said, "by focusing on the members as the main stakeholders, by a clear commitment to member-promotion as the primary objective of all cooperative endeavour, by strict adherence to the principle of identity of co-owners and users, by recognition of the fact that cooperatives are enterprises with a difference, being manifested by its dual nature as a social and economic entity with both elements deserving equal attention".

Professor Munkner concluded: "The future of cooperatives in the next century will depend on their ability to develop their own strategies and management tools, appropriate to their goal of member-promotion and to their structure as an organisation of persons operating a joint venture.

"They will have to resume their role as innovative organisations which members join or form to solve their current problems caused by rapid social, economic, political, ecological and technological change.

"In future, cooperatives will have to turn members' role from fictitious to real and to realise that there cannot be cooperatives without cooperators", he said.

Professor Ian MacPherson is the Dean of Humanities at the University of Victoria, British Columbia, Canada and was likewise a special guest at the conference.

Over the last couple of years Professor MacPherson led the group that work on revising the cooperative principles. The new principles were submitted and passed by the centennial congress of the International Cooperative Alliance.

In his keynote address Professor MacPherson also stressed the theme of revitalisation of the cooperative identity. He spoke of his belief that the cooperative principles "can stand as useful guideposts in all types of social and political systems".

In that sense, he said, "they reflect a commitment to cooperatives as an independent sector that is not subservient to any other ideology on the right or left of our commonly understood political spectrum".

When questioned by Dr Gary Lewis on whether the principles proscribed certain enterprises on ethical grounds, such as chemical weapon manufacture, he responded that the embedding of the principles in the new statement of cooperative identity, with its articulation of cooperative values and philosophy, lead him to think that certain enterprises would clearly not be appropriate.

However, he said, "the principles are only guidelines that indicate minimal standards of organisational behaviour and continuously suggest further possible actions; they are not just commandments. For me that quality of continually raising issues to be considered and resolved is part of their inherent power and wisdom".

"Think of the principles as active catalysts and not just regulatory maxims" he advised. Professor MacPherson said he believed that placing the principles in the context of cooperative identity is an important step.

"One of the problems of the two previous formulations of principles produced by the ICA is that they did not, of themselves, offer any understanding of their intellectual or philosophic roots. I think that omission was unfortunate because it unintentionally contributed to the tendency to see the principles as a set of organisational injunctions rather than an integral part of a coherent philosophy", he stated.

Dr Lewis is a researcher and author on cooperative history and curriculum, based in the ACT. He was among the many pre-

Cooperative network strengthening

Co-op community networking

Anthony reported that as a result of the council's policy of sending complimentary Council Papers to a selected group of co-ops last year and because of the new associative structure, the CCC has had five associate co-ops join in the last two months. They are Maple St Food Co-op, Queensland Community Housing Coalition, Artie Ganzas Artists and Community Co-op, Maleny Credit Union and Good Foods Co-op. The Cooperative Federation of Queensland has been kept on the free list and the International Cooperative Alliance and the Cooperative Enterprise Project have been added. In addition the following co-ops are currently receiving free Council Papers: Access Community Radio Co-op, Bardon Parish Credit Union, Mountain Fare Co-op, Stradbroke Aboriginal Housing Co-op, Granite Belt Organic Growers Co-op and the Union Cooperative.

This effort is having the effect of strengthening the community cooperative network in our region, Anthony said. He proposed that, as secretary, he contact the associate co-ops, offer to address a meeting on behalf of the council, and request that the co-ops identify a delegate who can participate in the council. He suggested that the contact with the co-ops could also be used to gather input on strategic issues. This proposal was accepted by the council. It was moved by Rosanne Brown, seconded by Christine Zangari and carried unanimously.

Anthony said the growth in associates to the council raises the question of membership of the council. He notes that membership of the council has been constant for some time now. He asks that we have a debate in the council and make explicit whether there are limits on membership numbers and what they are, and whether we should actively seek new members, and if so how and where. On a minor matter, he added that as previously noted, a top-up to council funds is required to maintain the production of the free Council Papers. The council agreed to address these items at the next meeting.

1995 Cooperatives key issues conference report

senters at the conference. The specific focus of his speech was on cooperatives as part of the Australia culture.

He said that "cooperatives in their many forms have continued to make a major contribution to Australian economic and social life. However, the goal of a distinct, unified cooperative movement has been elusive and the cooperative sector remains relatively fragmented".

Dr Lewis stated that cooperatives, because of earlier neglect by historians, have not received the acclaim they deserve. He said Australians can be proud of their achievements in democratic cooperative industry, which, on a *per capita* basis, rank with the best in the world.

"Cooperatives have shown a propensity for tapping dormant community resources and converting these into productive economic activity. Decentralised in nature, comprising autonomous democratic entities, cooperatives have played a major role in Australian regional and urban development, serving to create and retain capital in the local area, injecting wealth into local communities, stimulating general economic activity, encouraging employment and channelling wealth into additional business activity".

Dr Lewis asserted that "at all stages of their evolution Australian cooperatives have competed with the private-profit and governmental alternatives, generally lacking the resources of these two giants. The environment for cooperatives has seldom been benign and they have traditionally been

forced to compete cleverly for market space, justifying their existence".

Nonetheless, he said, "it remains true that Australians have tended to employ the cooperative option only as a last resort; the 'alternative' when no other alternative exists. We have preferred to leave economic risk-taking to the private-profit sector and the responsibility for solving social and economic ills to governments".

Dr Lewis maintained that history suggests that cooperation has much to offer in this regard. "Doctrines of unrestricted freedom in commerce in pursuit of private interests, in the context of Australia's many problems, implies risks in maintaining social cohesion.

"As governments recede from established roles in economic management and accent is given to competition policy, possibly new roles exist for cooperatives and the cooperative movement.

"An historic 'moment' may be presenting for public policy developers to revisit the cooperative option and rediscover applications for cooperative methods. Certainly, governments, as custodians of laws and administration in the interests of public well-being, have a responsibility to protect the vulnerable and define social obligations of ownership and control in industry", he said.

Developing public policy was the subject of Gary Cronan's address. He said: "One of the most pressing needs is for cooperative public policy to come in from the margins of the policy debate and become part of the

mainstream of governments' economic and social agendas". He cited an article in the Financial Review of October 12 which contained the following remarks by Frank Stilwell:

"The struggle for the control of the NRMA, which is being played out yet again, is a microcosm of the broader political and economic choice Australia faces as it nears 2000 - whether to accept the dominance of narrow self-interest or to maintain and extend institutions that are capable of serving a broader collective interest.

"Mutuality is central to the latter orientation. Its destruction in the case of the NRMA would be another nail in the coffin of our capacity to shape our economic future".

Mr Cronan agreed, saying: "Cooperatives can play a very significant role in the democratisation of the Australian business environment". He added: "Currently opportunities for cooperative development in this country seem to be the best they have been for a generation. Governments can ensure that these opportunities are maximised in the exercise of the relevant areas of public policy.

"If there is a wide appreciation across all of government [then] cooperative development opportunities are achievable. Small business programs, regional development, labour market adjustment strategies, employment programs all need to be coordinated so that the cooperative option is not the forgotten option".

UQ Credit Union shows interest in 'community capital' pilot project

Queensland University Credit Union and Food Co-op link

Merv has been exploring the possible link between the University of Queensland Credit Union and the proposed student Food Co-op as a means of creating an example 'community capital' initiative.

He noted that there is now a new Student Union executive and their policies make the start-up of a food co-op appear even less likely. Jane Curtis and others on the previous executive who have worked for the formation of a food co-op will cede office soon. Merv feels they are sincere people and have worked hard to get a co-op up, but that it is a big task for which they need help.

The community capital initiative being explored at present through the UQ Credit Union offers some hope here. The Credit Union could provide funding or skill support to replace that from the Student Union.

Merv thinks that a food co-op based on the whole university community, not only the student body, is more likely to attract the Credit Union's support.

He has discussed this with Jane and she indicated that the food co-op collective are

accepting of this option. Consequently, Merv and Jane met with the board of the Credit Union.

The meeting was in connection with the community capital initiative started by Merv, Allan Halladay and Peter Pamment, with the support of the CCC and Community Works.

At the meeting with the Credit Union Merv tabled his discussion paper on the link between community capital policy and resolving unemployment. He put it to the Credit Union that the food co-op could be an example project.

The Credit Union could, he suggested, "provide money and assume responsibility for employment creation". He reports that he received a quite definite statement that such initiatives should be part of the role of the Credit Union and that they would like to do it.

The board have said they are interested in holding quarterly meetings on the community capital proposals. They see a necessity to join with other Credit Unions to build risk management capacity.

They agree that the UQ Credit Union could look at the food co-op project as a pilot and assess what kind of role was appropriate for a community capital provider, such as finance planning and skills support or capital investment by shares.

Jane put it to the board that they should also consider what the food co-op could do for the Credit Union. As an example of the principle of cooperation between cooperatives, Jane suggested that the food co-op could promote the Credit Union to its membership.

Merv told the board that there are a lot of examples from the United States of Credit Unions helping co-ops.

Merv said he was encouraged by the Credit Union response and that "it was a good meeting". The council greeted this report with interest. Allan said he saw scope "for the Credit Union to employ a development officer who could tie in with the University's educational role".



Anomaly on cooperative shares persists

Shares and other fundraising under the Cooperative and Other Societies Act

The most recent advice from the Queensland Cooperative and Other Societies Registry is that "fundraising by cooperative societies whether by way of shares, deposits, loans, members loan funds, other debentures or prescribed interests will be subject to enforcement of the prospectus provisions of the Corporations Law as applied by section 59 of the Cooperative and Other Societies Act".

The Registrar, Paul Kerr, has said that the matter "remains under consideration" and that a circular will "be issued as soon as possible" to all cooperatives.

The council has viewed this matter before. Its perspective is that this situation appears to be an unintentional consequence of changes to Corporations Law, that it lacks a clear rationale from a cooperative movement point of view, and that it is not applicable in its recent form to cooperatives.

It is one along with a number of other limitations in the present Act, such as the twenty-five member provision, restricting cooperative formation or development. Clarification and resolution of this matter appears to remain some way off.



3d Politics

Out of the Twilight Zone: Part II

Community capital and credit unions

by Merv Partridge



As the atrophy of community comes to be more widely perceived as a political cost of modern society, community acquires a political value.

The lost sense of being-in-community that people are mourning is a real experience, a mutual act of experience.

Politics in 3d is a move towards others - a reconstruction of the conditions under which the spirit of co-operation will spontaneously flourish. The first part of this discussion looked at how individual roles and attitudes can open a path to community experience. The next step in the discussion is to look at how policies and institutions might look in 3d. In this case, empowering communities for local employment generation using a tax mechanism.

Unemployment and investment

Two-dimensional policy

During the 1990s unemployment in Australia has hovered around one million. Organised business traditionally promotes the claim that they are most competent to make sound investment decisions which can create and maintain employment. They expect the community to continue to accept as an article of faith that primary responsibility for employment creation should rest with them, even when the goods are not actually delivered. The role the corporate sector assigns to government is to create a policy environment in which labor costs are restrained and wealth flows towards business profits so they will be *capable* of making socially useful investments. Successive Labor governments have subscribed to the corporate agenda through wage restraints, reduced company tax, investment and R&D allowances, export supports, en-

ergy and other subsidies. Government has maintained the faith, to the community's cost, as private capital has failed to fulfil the responsibility which it claims as an almost exclusive prerogative. As new growth emerged in early 1994 and the recession was declared over, the Prime Minister publicly tongue lashed business for their failure to invest. The government nevertheless proceeded, in the White Paper on Unemployment, to stand back from a "jobs levy" and from any strong focus on community sector development as recommended by, for example, the caucus committee chaired by Wayne Swann.

The jobs levy would have signalled a policy shift away from corporate-led employment towards the traditional Keynesian alternative where government assumes responsibility for directing tax dollars towards stimulation of demand and creation of public sector jobs. Such a policy shift would have left the elected government isolated from just about everyone except the

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trade union movement and community sector groups such as ACOSS. The high ground they were seen to be vacating would have now been shared by the conservative opposition parties, the corporate sector (including the major media outlets), as well as that powerful inner stratum of the bureaucracy who share an economic rationalist philosophy. In the new ground to which they moved, with jobs levy funds in hand, they would have been publicly seen to draw responsibility for job creation towards themselves and away from business. They would have been caught in a cross fire of demands to "deliver the jobs" between a quite cynical public and the new triangular marriage which they had brokered. I don't think they believed they *could* deliver, at least not without blowing their deficit reduction and debt control strategies and making themselves very vulnerable to charges of economic recklessness from the menage-a-trois.

The trickle down paradigm will continue to be pushed forward regardless of results because it is to economic and political advantage of powerful interests. It is true that business can be good at investing and at creating jobs. It is also true that if allowed complete freedom to invest as they like many choose labor displacing technologies, speculative or offshore investments instead of jobs. When companies set critical goals for themselves, they monitor their performance and create feedback loops. They make rewards conditional on goal attainment. If the goal is not met not only are rewards withheld but organisational behaviour is overhauled. This is elementary corporate planning. Yet, in a political environment in which employment creation is a priority economic goal, voluntary business investment may fail to deliver jobs for long periods while still the rewards of profits (through policy settings) flow and organisational behaviour remains status quo. This is labelled rational economic behaviour.

A *truly* rational treasury would have advised government to allow the benefits (of reductions in company tax and the withholding of the burden of a jobs levy) to flow on **only** to those companies who could **demonstrate success at meeting employment targets**. Tying economic benefits (including tax rates) to **attainment** of employment and other social goals is a key step in bringing integrity to economic policy and in calling the bluff of free market magic advocates.

While debate on employment policy throughout the 80s and early 90s has bounced between the traditional two dimensions of private and public sectors, the third arm of our political economy has remained tied behind our backs.

Viewing job creation in 3d

Little discussion has centred on the third option for employment generation - the shifting of capital resources and investment responsibilities towards communities and community based financial organisations. Although there was some discussion of limited community sector activity, the public policy debate about unemployment *never* aired the possibility that an effective response to unemployment might be a significant redistribution of investment prerogatives and responsibilities towards the citizen-community pole. Sound investment is tough business and communities are not usually considered up to it. This situation is quite ironic. Government says it wants Australia to become the smart country and has millions spent on training people to work in *jobs that are not being offered* by existing business. The feasibility of community led job creation would grow quickly if similar efforts went into training people to create their own jobs and in developing investment support and training systems around existing third sector financial institutions like credit unions, building societies and friendly societies?

Our awareness of the third dimension has atrophied in Australia to such an extreme that few people even recognise any relevant connection between employment creation and the community-based financial institutions (their members and boards included). Neither our schools nor the cooperative sector itself educates the public about their origins in this country and Britain nor about the successes in job creation led by the De Jardins credit unions in Canada and the Caja Laboral Popular in the Mondragon region in Spain.

As far as their original sense of social mission is concerned most of the cooperative financial institutions (and the cooperative sector more widely) are dozing in Australia. People in the communities from which they grew have become mesmerised by the acting out of corporate giants. Communities have forgotten that friendlies, co-operatives, credit unions *are themselves*, that they sprung out of their *own intent* to meet their own needs in times of economic hardship. The administrators of these organisations have, in the main, been preserving them in faithful trust waiting for the

wandering souls to find their way back from the twilight zone. Maybe it's time for the sleepers to awake. Let me take some recent example.

The credit union tax on a level playing field

There was barely a murmur of community dissent in 1993 when the Federal government imposed a new tax on credit unions. There was also little public attention as corporate raiders asset-stripped Australian rural cooperatives during the 1980s and building society boards convinced members to convert their one member one vote democratic societies into banks. There were petitions and some lobbying from sector executives *but no public mobilisation of members*. This failure of community reaction rang louder alarm bells for some of us than did the consequences of the tax itself. The deafening silence was a statement of member consciousness.

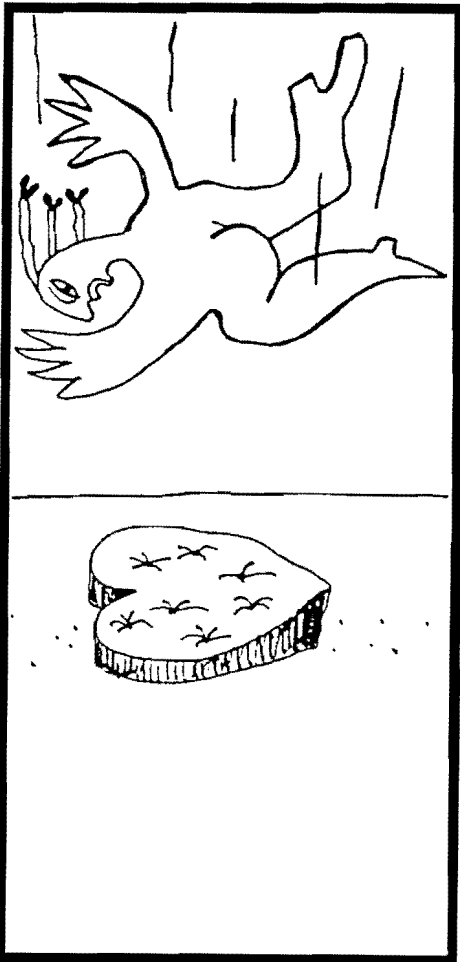
An important strategic opportunity has so far been allowed to pass. I understand banks had pressured the government to tax the credit unions in the name of equal treatment, "the level playing field". Here is an extraordinary opportunity to bring into public light the fact that investor-controlled banks and member controlled credit unions are very far from equal. And what they are unequal about is equality. In the cooperative financial institutions **every member has one vote only** regardless of how many shares they might own: they emulate the principle on which our democratic political institutions are based. Banks do not. In banks, shares vote instead of people. Money talks. If you have one hundred times the number of shares I own, then you have one hundred times the votes. **Banks are not democratic institutions, credit unions building societies and friendly societies are!** They are not equal, the playing field is not level. Credit unions have now been taxed in order to level out a difference. Banks have set themselves up for the counter that if the playing field is *really* be leveled then equal taxation treatment should be matched by equality in degree of democracy.

Is Common Wealth banking compatible with democracy?

To take a practical example of where such a debate might have been engaged consider the case of privatisation of the "Commonwealth" Bank. The alternative scenario

argued here is not one which I expect to see implemented in any immediate future. It is presented as an exemplar of a democratic economic principle and of a taxation linked mechanism which could be practically used for elaborating it. It is, if you like, a mind sensitiser to help contextualize the second exemplar (community capital) which is much less ambitious but which applies a similar taxation-linked incentive mechanism in the service of a less universal democratic economic principle.

An alternative fund raising measure to the whoever-wants-it-and-can-afford-it privatisation of the government owned Commonwealth Bank was to move instead in the



direction of democratisation (or co-operativisation) - a gradual move in the direction of universalising shareholdings right across the adult community and towards the one member (or one community) one vote principle. Distribution of shares might have occurred through the tax system by a mechanism similar to that used for compulsory superannuation. However, incentives and choice generally attract greater support than compulsory measures.

What would be the outcome if, instead of forcing people to buy shares in the Commonwealth bank (politically unpopular) or sim-

ply inviting them to (as actually happened) the government were to offer a third option? Give people the choice of either receiving shares to a certain value (which carry a vote and a financial return) or else pay the same amount to treasury as a routine tax payment. I suspect you would have to get out of the way in the rush as bank shareholdings spread across the population of taxpayers.

Since individuals would be clearly receiving personal benefit as an alternative to a 'never see it again' tax expenditure it would be politically feasible to make such shares, and the votes and incomes associated with them, non-transferable. This would have the advantage of **preserving the attained distribution of suffrage** (and of dividend incomes) through hard times when individuals might sell their shares and their rights in desperation. If some approximation of the cooperative voting principle were in place then the preservation of voting rights through non-transferability would only need to apply to a legally defined minimum shareholding. The question of protection of the voting right as if it were a birthright finds echoes in some debates about whether voting in the political system should be compulsory. Another area to be explored would be measures which could bring about **and then preserve universality of suffrage**, since a taxation mechanism would not provide for the distribution of shares and rights to individuals who did not pay taxes (those below the taxable income threshold, pensioners and dependants of voting age).

Purchase of shares by the public as a *voluntary* alternative to *compulsory* payment of a (small) proportion of annual taxes could become a powerful compounding means of inducing saving and redistributing incomes and economic decision power. The philosophical principle of universalising and eventually democratising ownership of the Commonwealth bank have not so far been entertained. This reflects a serious failure in the development of democratic and cooperative culture and values within this country.

Clearly, the prospects of succeeding in a campaign to democratise the banks is incredibly remote during this period of history. A secondary goal of such a campaign might be the raising of public awareness about the differences between banks and cooperative financial institutions. This attainable goal could give a substantial boost in public support for democratic financial institutions and translate into increased membership and deposits.

The credit union tax issue and community capital

The credit union taxation issue is an interesting case because it opens opportunities for direct proaction campaigns within the community itself which are not dependent on government or corporate acquiescence for success. The weakness of a "deinocratising the banks" campaign is that it is reactive and runs the risk of feeling negative and oppositional.

A more positive campaign might go something like this. The credit unions say to the government (publicly), "Look, you want more taxes from us so that you can apply them to address serious social problems like unemployment. Hey, we have members who are unemployed. We're based in communities with unemployment. We're close to the problems on the ground and, as democratic bodies, we are directly accountable to local people. We've got good financial controls and money skills. Instead of you taking the dollars and the responsibility for making jobs, why not leave both in our hands. We'll put it in a pot called **"community capital"** which will be owned by our members (through the credit unions) as investment capital. First we'll use it to develop entrepreneurial divisions, enterprise centres and community business support systems and we'll share these skills and resources across the credit union movement. Next we'll use it to establish community businesses which create jobs and which have *in their corporate objectives* the obligation to create and maintain employment as well as other community benefit objectives such as equal opportunity and environmental protection. Even more, much of our investment in these businesses will be as equity rather than loan capital. That is, if the investments do poorly then the risk is managed by sharing it amongst investors. If they succeed they will be obliged to return profits to the community capital pot - the pot will get bigger and the whole community will benefit. Doing it this way we'll be **creating an incentive for the whole community** to support the success of our community business sector. Hey, if that's not enough we could go further. We'll put a **feedback loop on returns on invested community capital**. *No dividends will be paid until social indicators in our bonded community match democratically negotiated goals.* No dividends until unemployment



Letters

The following correspondence was received or sent.

Granite Belt Organic Growers

The council has received the Spring Issue of the Granite Belt Organic Growers Newsletter. It contains some interesting items as usual, such as this extract from a piece on "Integrated Catchment Management" by Ian Hollingsworth of the CSIRO Division of Soils in Adelaide:

"The way in which rivers and streams drain the land is similar to the way that the veins and capillaries drain the human body. Its old fashioned to speak of a body of land but this expression says more to me than "integrated catchment management". I can relate to a body of land.

"Communities have subsisted in the tropical forests of Papua New Guinea for thousands of years by relating to catchments around them as if the land and water formed a body. Rivers formed by the blood of ancestral beings. Land filled with the spirits of the dead. Rocks the bones of the earth. This is sacred and sustaining.

"Integrated catchment management begins with identifying the important land and water management issues. The land uses and management practices may need to be documented and mapped. A concept of the way soil, water and human activity are linked in the landscape needs to be familiar to people. Then changes to the way we live and farm will probably be easier to accept.

"Familiarity with the body of land in which we live may underpin the success of our civilisation. It certainly determines our quality of life. There is a tendency to concentrate on technical solutions to the environmental problems communities face. In the end though, most solutions can be found by non-technical people once their place in the catchment is clear."

Qld Attorney-general

The council wrote to the new Queensland Attorney-general restating what had been sent to his predecessor. Our letter said:

"The Council has for some time been discussing issues of legislative change and undertaken research on the matter, particularly as it effects the start-up and continued operation of community-based and enterprise cooperatives.

"The Council has been forming views on legislative issues for the 'sector' of cooperatives from which our members and associates are drawn. We are writing to request:

1. Details on legislative progress
2. Notice of any consultative or deliberative forums
3. Access, where appropriate, to processes of reform.

"We are informed that an 'interstate division' is to be inserted into the current legislation as an interim measure. While this is seen as a positive step for cooperatives where interstate trading is a main concern, the Council considers that it would not address the need for reform more widely. We are concerned that adoption of this interim measure may stall the process of reform and that a new Act will not be forthcoming.

"The Council's position is one in favour of reform of the whole legislative framework coupled with national consistency. We are aware that the recent New South Wales cooperatives legislation is being considered as a model for new Queensland legislation. We consider this to be a positive example."

UQ food co-op

The council wrote in appreciation of the efforts of the UQ food co-op collective. In the letter the council offered written support for their efforts to the University Credit Union and to the Student Union. It also said that "we encourage their autonomy".

UQ Credit Union

A letter stating support for the 'community capital' proposals, for a research role for Community Works and for a pilot project was sent to the UQ Credit Union to assist Merv and Jane in their meeting with the board.

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ment levels drop below a certain threshold and negotiated environmental and equity standards are met".

This might be an attractive package to what some would regard as a rational government.

Today, however, the "economic rationalist" culture and value system which dominates in treasury and both major political parties displays a two dimensional reason where communities and citizens are only consumers and voters, not economic planners and actors.

The economic rationalist voice in government would be tempted to say ... "Look, go out and play. You just leave those investment prerogatives to governments and corporations, that's where they belong!". The words would be more polite but I suspect they would translate into something like that.

Stage two of a campaign might begin. "All right, we'll double the stakes. We'll launch a campaign with our members and the broader community to double the pot.

Before you let us keep those "tax dollars" to fix our own problems we'll undertake to raise investment funds to match the amount. It will all be used to tackle unemployment close to the ground where the people who are actually feeling it will get a direct say in how the funds are applied.

Double the amount will be spent on jobs, and you, the government can be seen to support a new model for addressing the critical problem of inadequate national savings".

Even if government resisted to the end, a pot of community capital might be raised which would be used to demonstrate to the public that community economic action can work.

Thus would be established a new legitimacy for the community sector as an active and con-

scious agent in economic investment and planning decisions.

Also achieved would be a sharper differentiation of the community sector financial institutions from private sector financial institutions.

This is direct proaction, not reaction. And it focuses on modest but quite fundamental change in economic planning and decision making structures.

By shifting investment decision power towards the community it moves economic levers closer to where the problems are experienced.

By making returns to investors contingent on performance with respect to social goals it calls the bluff of trickle down economic assumptions and introduces a truly rational mechanism into economic behaviour.

At the very least, a campaign to raise a community based capital fund would serve to heighten public awareness that significant economic levers are lying dormant in their local community financial institutions.

When people come to recognise that these levers are within their reach and can be directed in rapid response to local problems a new era of leadership may begin for the community based financial institutions.

Such leadership would enjoy a greatly enhanced political weight when it comes to the shifting of legislative and policy blockages - membership will increase and conscious members will move such issues into the foreground when it comes to parliamentary elections.

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Brisbane

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